

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-20 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 /103 W
-----090687 141952Z /21

R 141917Z AUG 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 8369
INFO AMCONSUL CALGARY
AMCONSUL HALIFAX
AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO
AMCONSUL VANCOUVER
AMCONSUL WINNIPEG

UNCLAS SECTION 01 OF 02 OTTAWA 04011

DEPT. PASS TREASURY, CEA

E.O. 11652:N/A
TAGS: EFIN, ECON, CA
SUBJECT: ECONOMIC DEVELOPMENTS: WEEK ENDING AUGUST 4.

1. SUMMARY. PRIME MINISTER TRUDEAU AUGUST 1 ANNOUNCED
ON NATIONAL TELEVISION SERIES OF POLICY INITIATIVES IN
KEEPING WITH GOC'S BONN ECONOMIC SUMMIT COMMITMENTS FOR
GROWTH (SEE REFTEL). ON AUGUST 3, FORD ANNOUNCED ITS
DECISION TO BUILD CDOLS 535 MILLION ENGINE PLANT IN
ONTARIO, THEREBY ACCEPTING GOC'S SUBSIDY OF CDOLS 68
MILLION. SEASONALLY ADJUSTED (SA) UNEMPLOYMENT RATE
DECLINED TO 8.4 PERCENT IN JULY FROM 8.6 PERCENT (SA) IN
JUNE. HOUSING STARTS DURING JULY WERE AT A SEASONALLY
ADJUSTED ANNUAL RATE OF 204,000, UP FROM 189,600 IN JUNE.
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FOOD PRICES ROSE TO 150.1 IN JULY, UP 0.6 PERCENT FROM A
MONTH EARLIER. OFFICIAL INTERNATIONAL RESERVES DROPPED
USDOLS 151.7 MILLION IN JULY TO USDOLS 4,588.4 MILLION.
TOTAL DRAWINGS OUTSTANDING JULY 31 UNDER STANDBY CREDIT
FACILITIES WERE USDOLS 500 MILLION WITH CANADIAN BANKS
PLUS USDOLS 700 MILLION WITH U.S. AND OTHER FOREIGN BANKS.
ON JULY 31, GOC ANNOUNCED A CDOLS 750 MILLION DOMESTIC

BOND ISSUE TO BE DATED AND DELIVERED AUGUST 15. A CDOLS 125 MILLION HYDRO-QUEBEC ISSUE OF 25-YEAR 10 PERCENT DEBENTURES WAS BROUGHT TO MARKET IN CANADA. CANADIAN DOLLAR STILL EXPERIENCES SHARP DOWNWARD PRESSURE. END SUMMARY.

2. PRIME MINISTER TRUDEAU AUGUST 1 ANNOUNCED SERIES OF POLICY INITIATIVES IN KEEPING WITH GOC'S BONN ECONOMIC SUMMIT COMMITMENTS FOR GROWTH. HIGHLIGHTS: GOVERNMENT SPENDING & TAXES ARE TO BE CUT, PUBLIC SERVICE EMPLOYMENT CUT BACK, RESOURCES SHIFTED, AND POST OFFICE MADE A CROWN CORPORATION. (SEE OTTAWA 3857.)

3. ON AUGUST 3, FORD ANNOUNCED ITS DECISION TO BUILD CDOLS 535 MILLION ENGINE PLANT IN ONTARIO, THEREBY ACCEPTING GOC'S SUBSIDY OF CDOLS 68 MILLION (CDOLS 40 MILLION TO BE PAID BY OTTAWA AND CDOLS 28 MILLION BY THE PROVINCE). THE OPERATION WILL BE WORTH 2,600 JOBS PLUS ANOTHER 2,400 IN ALLIED SERVICE AND SUPPLY INDUSTRIES. THE PLANT SHOULD BE IN OPERATION BY 1980.(SEE OTTAWA 3902.)

4. SEASONALLY ADJUSTED (SA) UNEMPLOYMENT RATE DECLINED TO 8.4 PERCENT IN JULY FROM 8.6 PERCENT IN JUNE. THE NON-SEASONALLY ADJUSTED (NSA) UNEMPLOYMENT RATE TOTALLED 927,000 OR 8 PERCENT OF THE WORK FORCE IN JULY, UNCHANGED FROM JUNE.

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5. HOUSING STARTS DURING JULY WERE AT A SEASONALLY ADJUSTED ANNUAL RATE OF 204,000, UP FROM 189,600 IN JUNE. THE ANNUAL RATE OF HOUSING STARTS DURING THE SECOND QUARTER THIS YEAR WAS 196,000 UNITS, COMPARED WITH AN ANNUAL RATE OF 306,900 IN THE FIRST QUARTER.

6. FOOD PRICES IN CANADA ROSE TO 150.1 IN THE MONTH ENDING MID-JULY, UP 0.6 PERCENT FROM A MONTH EARLIER. THE RISE REGISTERED IN JULY WAS THE SMALLEST MONTH-TO-MONTH GAIN SINCE JANUARY, THE ANTI-INFLATION BOARD REPORTS.

7. OFFICIAL INTERNATIONAL RESERVES DROPPED USDOLS 151.7 MILLION IN JULY FROM JUNE FIGURE OF USDOLS 4,740.1 MILLION. THE CHANGE IN RESERVES INCLUDED AN INCREASE OF DOLS 33.8 MILLION IN SDR-DENOMINATED ASSETS REFLECTING APPRECIATION OF THE U.S. DOLLAR VALUE OF THE SDR. THE CHANGE ALSO INCLUDED DRAWINGS TOTALLING USDOLS 700 MILLION UNDER THE STANDBY CREDIT FACILITY WITH U.S. AND OTHER FOREIGN BANKS AND REPAYMENTS TOTALLING USDOLS 500 MILLION UNDER THE STANDBY FACILITY WITH THE CANADIAN CHARTERED BANKS.

8. ON JULY 31, GOC ANNOUNCED ITS CDOLS 750 MILLION BOND

ISSUE TO BE DATED AND DELIVERED AUGUST 15. THE BOND ISSUE SOLD QUICKLY. THE THREE-PART ISSUE OF NON-CALLABLE BONDS WAS PRICED AS FOLLOWS: (A) 8.75 PERCENT BONDS MATURING JUNE 1, 1981 AND PRICED AT CDOLS 99.90 TO YIELD 8.78 PERCENT. (B) 8.75 PERCENT BONDS MATURING MAY 15, 1983 AND PRICED AT CDOLS 99 TO YIELD 9.01 PERCENT. (C) 9.50 PERCENT BONDS MATURING OCTOBER 1, 2003, AND PRICED AT CDOLS 100.75 TO YIELD 9.42 PERCENT. THE BANK OF CANADA HAS AGREED TO BUY AT LEAST CDOLS 225 MILLION OF THE NEW BONDS.

9. A CDOLS 125 MILLION HYDRO-QUEBEC ISSUE OF 25-YEAR

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10 PERCENT DEBENTURES WAS BROUGHT TO MARKET IN CANADA AT 99.37 TO YIELD APPROXIMATELY 10.07 PERCENT. A SPOKESMAN FOR THE UNDERWRITING GROUP INDICATED THAT THE ISSUE SOLD WELL.

10. FOREIGN EXCHANGE: THE CANADIAN DOLLAR IS STILL EXPERIENCING DOWNWARD PRESSURE. AFTER PRIME MINISTER TRUDEAU'S SPEECH ON AUGUST 1, THE CANADIAN DOLLAR RALLIED, BUT THEN DROPPED AGAIN ON NEWS OF RESERVE LOSSES IN JULY. THE AVERAGE CLOSE FOR THE WEEK WAS 87.95 U.S. CENTS, DOWN SHARPLY FROM 88.75 U.S. CENTS THE PREVIOUS WEEK. ENDERS

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